

The Global Financial Governance Initiative:
A Proposed Process of Research and Policy Dialogue on
Reforming the International Financial Architecture¹
(First Draft)

¹ The current proposal is based on the discussions of the Global Financial Governance Planning Meeting, held at the International Development Research Centre, May 31 - June 1, 1999, and subsequent planning meetings of specific working groups. The development of the proposal has been coordinated by the International Development Research Centre.

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1. Introduction

Turmoil in international financial markets has generated widespread instability thrice in this decade, the last two episodes (centred in Mexico and Asia) visiting calamity upon millions of people in the developing world. The economic crisis that began in Thailand in July 1997 and has since spread to or affected every part of the world has brought to the fore of research and policy debates, once again, the matter of the intellectual and institutional underpinnings of the current international arrangements to deal with such events.

Such developments present the world with a crucial opportunity to be seized, a historically unique chance to reform the world's financial and economic architecture, with the possibility of creating a global economic system that is more inclusive as well as more stable. Moreover, new administrations in several G7 countries present an unusually receptive climate within which global economic reform is pursued. If global markets are to work with greater predictability and provide sustainable benefits to the vast majority of the world's population, the international rules of the game and the institutional landscape within which they are enforced, need to be very different from those of the "non-system" that the world has now.

Particularly as crises multiply and intensify, it appears probable that there will be an official process of discussions during the next few years, aimed at reforming global economic governance and remedying systemic vulnerabilities to instability and intense crises. While there is a wide-ranging debate on these issues, there are two divides which are important yet remain unresolved. The first is between developed and developing countries. Existing fora that nominally play the role of bridging this gap (UNCTAD, the Bank-Fund Boards, the G22) do not command the necessary consensus to ensure effectiveness. The second divide is between the research sector and the policy sector. Here too, reconciliation between the long view and structured approach that characterizes the best outputs of the "academic" sector and the exigencies facing "practitioners" has been disappointing.

On May 31st and June 1st, 1999, the International Development Research Centre (IDRC) hosted a meeting which aimed to discuss how to initiate a process of on-going dialogue on these issues, which would narrow the gap between Northern and Southern perspectives, as well as those between the academic, non-governmental, private sector, and (official) policy communities, and ultimately respond to the unique opportunity to inform and influence official discussions on the international financial system at this juncture. This planning meeting was attended by 16 participants from academic institutions, research and international organizations, and the Canadian government. Meeting discussions covered the range of issues posed by recent episodes of financial instability (higher volatility, contagion, etc.); the nature of the academic and policy discussions on reform to the international financial architecture which ensued; the need to address key deficiencies in the debate (North-South, and research-policy divides); and how a process of research and dialogue could be best conceived and designed to realize this. Through these discussions, meeting participants discussed the *problematique* for research and policy and

constructed the basic parameters surrounding the ambit, structure, and modalities of a new process of research and dialogue on reforming the international financial architecture and developing effective institutions of global financial governance, which is developed in the current proposal. Subsequent meetings of working groups, planned during these discussions, were held to further develop the program of work on specific elements of this initiative.

2. Global Financial Crises and Reforming the International Financial Architecture: The Problematique for Research and Policy

2.1 The Current Financial System and Issues Related to its Performance

The current international financial architecture dates back to the Bretton Woods conference, which created a framework whose primary objective was to promote global trade within a fixed exchange rate regime. Coordinated trade promotion through the Bretton Woods institutions led to the General Agreement on Tariffs and Trade (GATT) which in turn led to the creation of the World Trade Organisation (WTO).

International financial reform began in the early 1970s with the adoption of flexible exchange rates. Large private financial flows resulted from global institutional changes in financial sectors and the creation of petro-dollars. However, because the Bretton Woods system was not initially designed to deal with financial issues, there is a major gap in the current financial architecture when it comes to handling private capital flows.

The recent financial crisis in Asia and subsequent rapid spread to Russia and Latin America clearly demonstrated the rising role of private flows in the international financial market, the concomitant risks of these flows, and failure of the international financial system to safeguard the world economy from economic crisis. The more prominent specific issues related to the performance of financial markets in recent years include the following (ECLAC, 1999).

- e. Increasing volatility of capital flows:** Capital flows tend to be pro-cyclical and heavily dependent on conditions in developing countries and in the financial markets of the industrialized countries.
- f. Contagion:** Recent events have revealed that financial crises can spread to countries with sound economic structures and macroeconomic management. Furthermore, while market performance is often associated with the “market for information,” there is always a danger in confusing information with opinion.
- g. Large bailout packages:** In the last two decades, the largest IMF loans have gone to a few relatively large developing countries and emerging economies. Most bilateral lending has also gone towards relatively large economies.
- h. Concentration of capital flows:** Private capital flows tend to be concentrated in middle

income countries. Moreover, there continues to be diminishing [official] financing for developing and least developed countries (LDCs). Indeed, the post-crisis situation begs the question of why the international community can mobilize large flows of capital for middle income countries experiencing crises, but not for LDCs?

- i. **Implications for the domestic policies of developing countries:** There are links between domestic financial risk and changes in key macroeconomic policy instruments, particularly exchange and interest rates are evidently stronger in developing countries, which imply that greater attention should be paid to these links and stricter prudential regulation by developing country policy-makers.

2.2 The Official Policy Dialogue, its Short-comings and the Need for an Alternative Process

The troublesome features of the operation of financial markets in recent years have been met not only with a lively academic debate on the issues, but also to high-level policy deliberations on reform of the international financial system. The G-7 is pursuing two avenues in international financial architecture reform in order to prevent future financial crises. The first relates to encouraging better discipline within the private sector, through better information, prudential regulations, and reform to bankruptcy laws. Since investors are not observing the risks that they take on, the aim of reforms is to arrive at conditions under which decisions of the private sector reflect the underlying risks of bearing the burden of crises.

A second avenue is through support of a standstill clause. The rationale for this approach draws on the historical experience of the free banking era in the United States when banks issued their own notes, and had a legally-sanctioned right to declare inconvertibility in order to sell off assets to service notes. There were frequent crises but these were not severe, in part because banks were essentially self-regulated. Depositors made sure that they were depositing in an institution that was not taking on unreasonable risks. A debt standstill could prevent a crisis from worsening by creating a breathing space in which appropriate adjustments can be made. In this regard, a framework should be enunciated in advance with consistent rules.

Despite the changes to international rules and the various initiatives proposed by the G-7, major crises in private markets are likely within the foreseeable future. These crises will result from differences between information and its interpretation (opinion), herd behaviour and situations yielding multiple-equilibria. Thus, policy directions must go beyond getting the right information and increasing supervision. One must also look beyond the present crisis and view the issues in a larger perspective. A system of global financial governance which receives broad international support is needed. To realize this, the international community must first arrive at consensus on the appropriate processes to design such a system. There is a window of opportunity in this regard. The governments of the U.K., Germany, France, Japan, Holland, and the Nordic countries are amenable to thinking about long-term processes through which an improved system may be designed. Canada should join this effort.

There are several reasons why the current official process of reform to the mechanisms of global financial governance is flawed. First, while the current international financial architecture is old and no longer accountable to its member countries, the official process merely addresses issues which could be described as “plumbing.” Furthermore, the current process lacks direction and a good leader. It is dominated by vigorous disagreements between the U.S. and other countries involved, and this limits its effectiveness. Finally, the process is, for the most part, non-participatory since a majority of the world’s population is not involved.

The official process is also influenced by private lobbying. In fact, no sector is more heavily lobbied than the financial sector. Another concern is that much of the analysis relating to the international financial sector comes from the North and, moreover, is highly centralized within the North. Quality analysis that has taken place elsewhere has not made it into the current discourse. Jeffrey Sachs was quoted as saying that the process relating to reforming financial architecture is in many ways more important than the product itself. If the international community does not get the process right, it will be almost impossible to obtain anything near an optimal solution.

Thus, there is a strong case to be made for a parallel process of discussions which is more broadly inclusive and representative. Such a parallel process would include discussions with technopols and those not involved in the official negotiations including many developing country representatives and NGOs. This parallel process presents an opportunity to voice their perspectives.

There is a high return from third party analysis (i.e., analysis from independent sources who know the facts and issues at hand). There is a need for this alternative process to be participatory, skilled, and focused not on technical debates or issues that have been agreed upon in the official circles (such as how prudential regulation should be created), but on issues of greater dispute.

The substantive issues related to the current operation and possible reforms to the international financial system and the framework of global financial governance which could be addressed by the envisioned parallel process are described below under three broad categories: crisis prevention and response; issues related to long-term development finance; and institutional structures and processes related to global financial governance (the foregoing is based upon presentations and discussions at the planning meeting for this initiative, which drew from ECLAC 1999, Helleiner and Oyejide, 1998 and Ocampo 1999).

2.3 Crisis Prevention and Response (Short-term issues)

a. The IMF and the institutional framework for international finance

In response to financial crises, the IMF has advocated the implementation of prudential regulation and supervision and the disclosure of information at the domestic level. However, calls for transparency, better regulation and supervision must take into account a number of

issues. First, as has been discussed above, instability results when financial market behaviour responds to opinion as opposed to information. While the IMF plays an important role in providing information, it is often difficult to separate IMF information from IMF opinion, and thus, there are limits to what reforms in these areas can achieve. Second, credit rating agencies play an increasingly prominent role in disclosing information since private capital flows have pre-dominated the international financial market in recent years, however this disclosure has a pro-cyclical effect. In this light, several questions arise, such as how to manage sovereign ratings and whether to create objective standards. Third, discussions about prudential regulation and supervision relate to the microeconomic arena, and miss the macroeconomic dimensions of market behaviour which international standards should consider.

b. Liquidity

The world needs a lender-of-last-resort which avoids the risks of moral hazard. There is a need to focus on how this function could best be accomplished. At times of crises, the supply of liquidity must be increased and contingency financing for countries in difficulties must be made available before international reserves are exhausted. Inadequate funding for contingency financing may lead to a strong deflationary bias in macroeconomic policy and therefore more pro-cyclical economic activity. While the recent declaration and actions by the G-7 to ensure sufficient contingency financing should be welcomed, the tendency to accompany this with onerous conditions is troubling.

c. Capital account regimes and exchange rate regimes

The IMF has been pushing for capital convertibility. Michel Camdessus has recently argued that capital controls should only be used to allow 'breathing space,' should be temporary, and should be implemented only in places that are anticipating a crisis. There has been a strong push by developing countries to establish international rules for capital flows. Going beyond the IMF pre-occupation with full capital account convertibility, developing countries are pursuing a reform agenda that includes corporate codes of conduct. Most would like to move the discussion of MAI-related issues to a truly multilateral forum like the WTO.

Most analysts and policy-makers agree that capital account liberalization should be gradual and should be followed by prudential regulation and supervision. Furthermore, most analysts agree that countries should attract long-term capital as opposed to relying too heavily on short-term flows. However, disagreements arise on whether international rules should prevail over national autonomy. Recent analyses have underlined that the benefits of capital account convertibility are less clear, and that a flexible approach is preferable to the IMF's rigid line on capital account convertibility. Some argue that developing countries should not give up their national autonomy in issues relating to capital account and exchange rate regimes unless a good contingency finance mechanism is in place. Others have noted that the IMF approach is divorced

from the reality of developing countries, for whom fully open capital accounts are impracticable.² In addition, there is still considerable debate about the effectiveness of different regimes, controls of capital outflows and inflows, and the use of quantitative as opposed to price-based controls. There is a need to explore different capital account regimes and the macroeconomic and developmental implications of various alternatives.

A sticking point in international financial discussions is the management of the exchange rate. Some countries maintain pegged exchange rates as a form of risk management. However, the market wants to distribute risk in a more efficient way. In some cases, they go too far as they try to eliminate risks that cannot be eliminated (by the use of new innovations, for example). While the intellectual arguments tend to favour extreme solutions, actual exchange rate regimes lie somewhere in the middle of the extremes. There is no absolute solution when considering what is optimal *and* feasible.

On a related note, issues of fiscal and monetary policy need to be addressed (including the debate between Joseph Stiglitz and the IMF on the appropriate mix of policy responses to the East Asian situation). There is also an imbalance between the fiscal requirements of dealing with financial crises and available financing. This is particularly acute when more Keynesian solutions are recommended.

d. Macroeconomic coordination

Weaknesses of the current system include: lack of coordination of macroeconomic issues at the international and regional levels; and asymmetry between the business cycle and the approval of IMF loans. More attention has to be given to improving the consistency of macroeconomic policies at the global level and to internalizing the externalities of macroeconomic developments in large economies. The recent crisis in Asia has demonstrated the need for international institutions to encourage macroeconomic policy coherence in industrial countries in order to avoid both inflationary and deflationary biases at the global level. The only move towards macroeconomic coordination has been within the EU. A more effective surveillance of national policies by the IMF and regional institutions is necessary to achieve consistency in macroeconomic policies. Macroeconomic policies, including decisions by central banks, should be subject to public scrutiny, as should the IMF itself. Developing countries are conspicuously absent from this discussion.

e. Orderly debt workouts and standstill provisions

To ensure the effectiveness of standstill provisions and debt workouts, there should be internationally approved “collective action clauses” in lending. Their generalized introduction would be crucial to avoid “free riding” problems and thus problems related to moral hazard. Furthermore, renegotiations should take place within a specified time limit, beyond which either the IMF or an independent panel would have the authority to determine the conditions of the debt

² The Chilean experience of taxing capital flows has received much attention as a possible model, but many papers have criticized this experience as inadequate.

rescheduling. In addition, “bailing in” of the private sector is evidently tricky — even former U.S. Treasury Secretary Robert Rubin could not accomplish this — but it is essential.

f. Social safety nets

Strong social safety nets are necessary to manage financial vulnerability in the developing world. The poorest sectors of society benefit only marginally from financial booms, but bear substantial costs of macroeconomic adjustments during crises. Thus, the recent call by the G-7 to design “general principles of good practice in social policy” is a step in the right direction but should not replace efforts aimed at protecting vulnerable groups and sectors during crises. A stable institutional system and anti-cyclical fiscal management is integral to the effective operation of social safety nets.

2.4 Development Finance and Longer-term issues

a. Financial Flows: ODA, Multilateral Finance, and Private Investment (FDI and Portfolio)

Development and finance rarely figure prominently in international discussions. A major area of concern for LDCs is their reliance on ODA and multilateral development banks for funding. Development banks could play a counter-cyclical role in world financial crises, but because they are too small to make a difference themselves, they have to increase their effectiveness by enhancing ‘crowding-in’ of private-sector financing, by disbursing co-financed funds or guaranteeing new debts of developing and transition economies. The large requirements of counter-cyclical financing to middle income countries during crises should not crowd out financing to poorer countries.

Inter-linkages between FDI, trade, and portfolio capital flows should be studied. Many have seen FDI as an industrial organization issue that has little to do with capital flows. Past debates on the impacts of FDI have been over-shadowed by the more contemporary view that long term capital flows are inherently more desirable than short term ones. However, traditional criticisms related to FDI have not gone away. Indeed, in an era of globalization they are accentuated.

b. Debt overhang

Implementation of the HIPC (Highly Indebted Poor Country) Initiative has been extremely slow due to lack of adequate financing and the conditionality involved. While the HIPC Initiative should certainly be broadened, bolder debt relief initiatives should also be considered. Furthermore, ODA should be a complement, not a substitute, for debt relief. There is a need for alternative financing mechanisms that do not crowd out ODA or other forms of development finance. As things now stand, the Central American Development Bank will be bankrupt if debt write-offs for Honduras and Nicaragua are not funded from outside the region.

c. **Conditionality and Ownership of Policies and Programs**

Policies induced by the IFIs through mechanisms of conditionality raise obvious questions about national ownership and sustainability of policies, as well as for democratic governance. Moreover, the sphere of conditionality is broadening from questions of finance and economics, to politics, judicial systems and the environment. There is a great need for a measure national autonomy in policy-making in a broad range of policy spheres, including capital account regulation and exchange rate management, as discussed above.

d. **Equity**

As alluded to above, the causes and consequences of financial crises raise issues of equity, since the poorest sectors of society benefit only marginally from financial booms, but bear substantial costs of macroeconomic adjustments during crisis. This relates to the need to establish mechanisms of burden-sharing by official and private sector interests, and for social safety nets, as discussed above. Unfortunately, social safety nets associated with longer-term development finance have been put on the back burner as the exigencies of prevailing financial crises dominate discussions, despite the great need here to strengthen them. At the level of international equity, countries experiencing financial crises argue that lender countries also play a role in creating the crises, and therefore, that both crisis and lender countries must be part of the recovery process. But who should pay the costs of an economic crisis? Who should pay for the losses of those who suffer and the costs of helping them out?

2.5 Institutional structures and processes related to global financial governance

Despite recognition that the present institutions are not adequate to deal with recurring economic crises, there has been little move towards basic reform. Most of the reforms introduced by official circles have been very small changes, mainly pertaining to the IMF. Any financial stability forum that addresses issues of stronger international rules deals mainly with prudential regulation. Thus, there has not been any move towards institutional change. Improving 'plumbing seems to have prevailed over redesigning architecture. The absence of a coordinated campaign for institutional reform at the international level is due to both the dominance of the United States and the lack of organization in the developing world.

There are at least two broad issues that have remained unrecognized in the official debate on international financial reform. First, there has been no clear discussion on the exact roles and responsibilities that should be assigned to the various actors in international finance, including international, regional, and national institutions. Second, no international financial design is power-neutral, and therefore requires mechanisms of transparency and accountability.

a. **Roles and Responsibilities of the Various IFIs and Related Organizations**

The distribution of roles and responsibilities between regional bodies and the IMF/World Bank,

and between these bodies, the B.I.S. (and other related bodies in Europe), and the WTO, needs to be examined. Further, the relative roles and responsibilities of the private sector and lender and crisis countries also need to be reassessed.

The IMF is vying to become a world co-ordinator of economic issues and not just a provider of liquidity. Several moves to expand the mandate of the IMF can be observed, such as the push for conditionalities in controversial areas like the judicial system. The appropriateness of such conditionalities could indeed be challenged - from the perspective of democratic governance, among others - and particularly when economic difficulties are unrelated to domestic fundamentals.

While macroeconomic surveillance and coordination is important at the global level, the Interim Committee can only mediate G-7 issues, while the BIS is not suited to the task. Regional institutions should play a much more fundamental role in order to achieve stability and to strike a balance in power relations at the international level. Strong regional reserve funds should deter speculators from attacking currencies and thus causing crises. One possibility is for countries or regions to have automatic access to IMF financing and/or an enhanced share in the allocation of fresh SDRs.

Who should be in charge of managing and preventing future crises? Crisis countries feel that lender countries also play a role in creating crises. Thus, both crisis and lender countries must be part of the resolution process. But who should pay the costs of an economic crisis? Who should pay for the losses of those who suffer and the costs of helping them out? There are both direct and indirect costs. Direct costs refer to bailing out the banks and firms. Indirect costs cover a broader spectrum and include costs of helping out the millions of people who have nothing to do with the crisis, but who suffer from the crisis nonetheless. Many East Asian countries are able to pay for direct costs. Taiwan, Hong Kong, and Korea, for example, are sitting on large amounts of reserves. Holding these reserves is deflationary. Countries can instead use reserves as a common fund to defend themselves against future crises. However, the G-7 does not want to talk about increasing contributions to the IMF by countries that are willing and able to do so because of the resulting quota (and voting) adjustment.

There are systemic deficiencies not in crisis countries, but in capital-source countries. Distinguishing between capital-recipient and capital-source countries is instructive here. Movements in the relative values of the major currencies (dollar, yen, and euro) have real effects on the terms of trade. What can be done about greater coordination of the exchange rate regime of the major currencies?

Issues of burden-sharing between official and private interests and within developed and developing countries also need to be addressed. Also of note here is the attempt being made by major industrial countries to push responsibilities onto the multilateral institutions, for which they are not willing to pay.

b. Transparency, Control and Accountability in Decision-making and Operations of the IFIs

A few developed countries have an overwhelming comparative advantage in financial services, among which there is some opposition to capital controls based on the premise that they are bad for business. How can the hold of a small group of countries on the international financial

institutions be broken? Can they be persuaded that it is in their long-term democratic interest to relinquish their control? Issues of power are at the core of discussions on reform of the international financial system.

In partial answer to this point, two questions could be addressed through a political science analysis. The first question is what should be the division of responsibilities among national, regional and international levels? There are already clear criteria based on efficiency and legitimacy which have been developed through the EU process. At present, the division of responsibilities is very politically-based, as in, for example, the IMF's move to prevent an Asian solution to the regional financial crisis. Secondly, how should the job be done? The key is to explore what would induce the US to give up control of the international financial process. A focus on efficiency arguments is important: for example, the benefits to the US of properly foreseeing crises and designing appropriate responses even within a system of diminished US influence.

Finally, the transition between the process and the actual international architecture could entail possible conflicts. Therefore designing appropriate rules for the new architecture is a much needed task. The current reform process is very different from the Bretton Woods process since now there are vested interests in the status quo. In defining what rules should apply, countries may disagree substantially. The North-South division in particular is an under-representation of the actual set of relationships and interests that prevail among the countries of the world.

Regional institutions and peer review could play a crucial role in surveillance, both of macroeconomic policies and of domestic financial regulation and supervision. Such surveillance and peer review could be more acceptable to countries than that of a single, powerful international institution. Finally, an international system that relies on one or a few international institutions is less neutral than one that relies on a network of regional institutions and on peer review among national institutions.

In Korea and Thailand, financial intermediation is not occurring and support to financial sectors is turning into control. A recent survey pointed to a lack of credibility in IMF information. It is unclear why serious research on what hedge funds and investment banks are doing has not been pursued. There is a lack of understanding on how these entities work. Emphasis on transparency in the activities of national financial institutions has to be balanced with an equal emphasis on transparency in the operations of international investment houses. However, a reform process based on transparency and standards considerations enables the existing powers to continue to control the system. Fundamental reform is required to prevent this from happening.

While the issue of stabilization is a frequently-used term in the reform debate, its meaning is often yet unclear. Stabilization for whom? Equity is an issue that must be brought back into the discussions.

Finally, as mentioned earlier, there has been discerning trend has been the tendency for political concepts to become integrated into the IMF's conditionalities, which raises issues at the interface of accountability and democratic governance, which need to be addressed.

3. Objectives

The **general objective** of this initiative is to initiate a process of analysis, dialogue, and progressive change with a view to making the international financial system more stable, effective and equitable.

The **specific objectives** of this initiative are to:

- i. bring developing country perspectives to bear on leading issues in international finance;
- ii. provide a forum for members of the research, policy, NGO, and private sector communities in developed and developing countries to debate leading issues in international finance; and
- iii. create [or develop] the capacity for discussion of leading issues in international finance in developing countries.

4. Defining Features of the Initiative

The **key features** of this initiative, which also differentiate it from other groups working on similar issues, are that:

- i. this is a process, not an event, with emphasis on providing long-term support for research, dissemination, and networking activities among key stakeholders in the international financial system;
- ii. emphasis will be placed on developing country perspectives, highlighting the variety of positions that exist among this group of countries, rather than attempting to build consensus or generate statements on broad sets of topics;
- iii. emphasis will be placed on the equity aspects of the current debate on international financial issues, and on political economy approaches to their resolution;
- iv. the focus will be on marshaling available research rather than generating new technical analyses, and on using varied modes of dissemination.

5. Ambit (Conceptual Framework and Research Approach)

The **coverage** of the work of this initiative will comprise the set of issues that straddle the current international financial architecture, trade, and international economic governance debates, as elaborated in section 2 of this proposal. Bearing in mind the dynamic nature of discussions in these areas, topics are divided into three categories, each of which will be covered by a working group (WG). WGs will determine the priority that they place on each of the topics that come under their wing, and also the addition and elimination of topics as circumstances warrant. At the planning meeting, the following division of topics into WGs was accepted [adopted]:

Group I: Crisis Prevention and Response (i.e., short run issues)	Group II: Development Finance (i.e., longer term issues)	Group III: Institutional Governance
<ul style="list-style-type: none"> – liquidity – conditionality and standards – capital account regimes – exchange rate regimes – macroeconomic coordination – orderly workouts/standstills – social safety nets 	<ul style="list-style-type: none"> – ODA – multilateral official finance – private flows (FDI and portfolio) – debt overhang – conditionality and ownership – equity 	<ul style="list-style-type: none"> – roles and responsibilities of the various IFIs and related organizations – control and accountability of IFIs – transparency in decision-making and operations of the IFIs

It is understood that the topics of each WG are not exclusive to that category, and that cross-over exists and is necessary. For example, “exchange rate regimes” are both a short-term and a longer term issue; “transparency” covers several short-term issues as well as more institutional issues. A second cross-cutting feature that would characterize the work of the WGs is to focus on the level at which decision making and implementation does and should occur. One way to portray this is to pose four sets of underlying questions for each specific topic that is treated:

1. What do the multilateral IFIs do? What can they do? What should they do?
2. What do the international banks do? What can they do? What should they do?
3. What do the RDBs do? What can they do? What should they do?
4. What do national governments do? What can they do? What should they do?

8. Structure and Operation

The initiative will comprise three Working Groups (WGs), each led by a chair, a Steering Committee, and backed by a Secretariat located at IDRC. The initiative will organize one large meeting per year and several smaller ones in order to organize its work plan and disseminate its outputs.

Appendix I contains a suggested **list of members** for the WGs and possible chairs, based on the meeting discussions and subsequent suggestions that many participants sent in. Chairs will be responsible for the design of the WGs and their program of work, as well as for overall WG operations. Specifically, Chair responsibilities will include: taking the lead in determining membership of the WG; designing the program of work and prioritizing among topics; commissioning surveys of the literature or fresh research; convening one working meeting of the group per year (the second would be as part of the annual meeting of the initiative itself); determining a dissemination strategy for the work of the WG; and participating in the overall

functioning of the initiative via membership in the Steering Committee.

The **Steering Committee** (SC) which will comprise each Chair as well as a representative of IDRC and of FONDAD. The SC will set direction for the initiative, facilitate linkages between the WGs, and be responsible for the overall dissemination strategy.

During the launch phase, the initiative will be served by a **small group of IDRC staff** with Rohinton Medhora serving as the focal point. This relationship is best developed at the first working meeting of the SC, when WG chairs, in particular, could assess their respective roles and voice their needs relative to their (or their institution's) attributes.

The operation of the Initiative will comprise three general functions: a forum for dialogue between officials of developed and developing countries; a think-tank to disseminate research; and networking where researchers and policy-makers can exchange ideas. While each of these three functions are necessary and complementary, the Initiative will focus more on dialogue than on undertaking new technical analysis, since many publications already exist which can be used as inputs to the dialogue on reforming the system of global financial governance.

9. Program of Work (to be developed by the chairs of the working groups)

9.1 Crisis Prevention and Response (Short-term issues)

9.2 Development Finance and Longer-term issues

9.3 Institutional Governance

10. Users, beneficiaries and Dissemination

The users and beneficiaries of the proposed initiative include Southern and Northern researchers, officials, and NGOs with an interest in developing new structures of global financial governance, as well as officials of the IFIs (including the regional institutions). Representatives of this range of stakeholders will be engaged in the parallel process of dialogue envisioned through this Initiative, to the greatest extent possible, with a view to influencing the process of discussion and reform occurring at the official level.

The process will include an ambitious dissemination program, which aims to spread awareness about the need to reform the current international financial system, and to engage the broadest possible public in discussions and advocacy for reform. The results of each meeting should be published and made available through the Internet. Coverage of the process via popular media should also occur. A television documentary, which clearly articulates the need for reform, can be broadcast in English, Spanish, and French. In addition, articles should be submitted to *The Economist* and *Financial Times*, as well as other regional or national press. Possible journalists who might be good candidates in disseminating information (either through television,

newspapers or magazines) include Martin Wolfe, Peter Norman, Lionel Barber, Jeff Madrick and David Crane.

11. Timeline

Three to five years.

12. Budget

To be determined

13. References (those referred to during the meeting)

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Appendix I: Proposed Working Group Membership

Group I Crisis Prevention and Response	Group II Development Finance	Group III Institutional Governance
José Antonio Ocampo (chair)	Montek Ahluwalia (chair)	Kwesi Botchwey (chair)
Bill White (chair)	Roy Culpeper (chair)	Ngairé Woods (chair)
Yilmaz Akyuz (UNCTAD)	Lourdes Beneria	Charles Abugre (TWN, Ghana)
Edmar Bacha (Brazil, now private sector)	Marilyn Carr	Nancy Alexander (US, NGO)
Diane Elson	Alan Hirsch	Nancy Birdsall
Brian Kahn (U. Of Cape Town)	Henock Kifle (AfDI at AfDB)	Ariel Buira
John McCallum (or Kurt von dem Hagen, Royal Bank, Canada)	Liu Mingkang (VP, People's Bank of China)	Alex Duncan/Angela Woods (Bretton Woods Project, UK)
Manual (Butch) Montes (Ford Foundation, NY)	Percy Mistry	Al Fishlow
Avinash Persaud (Boston, private sector)	Marcos Caramuru de Paiva (Sec'y for Int'l Affairs, Brazil)	Jo Marie Griesgraber (US, NGO)
Jeffrey Sachs	Yung Chul Park	Devesh Kapur
Kevin Watkins (Oxfam)	Cyril Ramaphosa (South Africa, private sector)	Martin Khor (TWN, Malaysia)
John Williamson	Richard Webb (Peru)	Abbas Mirakhor (Iran, Dean of IMF EDs)
Charles Wyplosz	John Teye (UNCTAD)	Moises Naim (editor, Foreign Policy)
		Charles Soludo (various affiliations, Nigeria)
		Zaenal Aznam Yusof (Dpty DG, ISIS, KL, Malaysia)